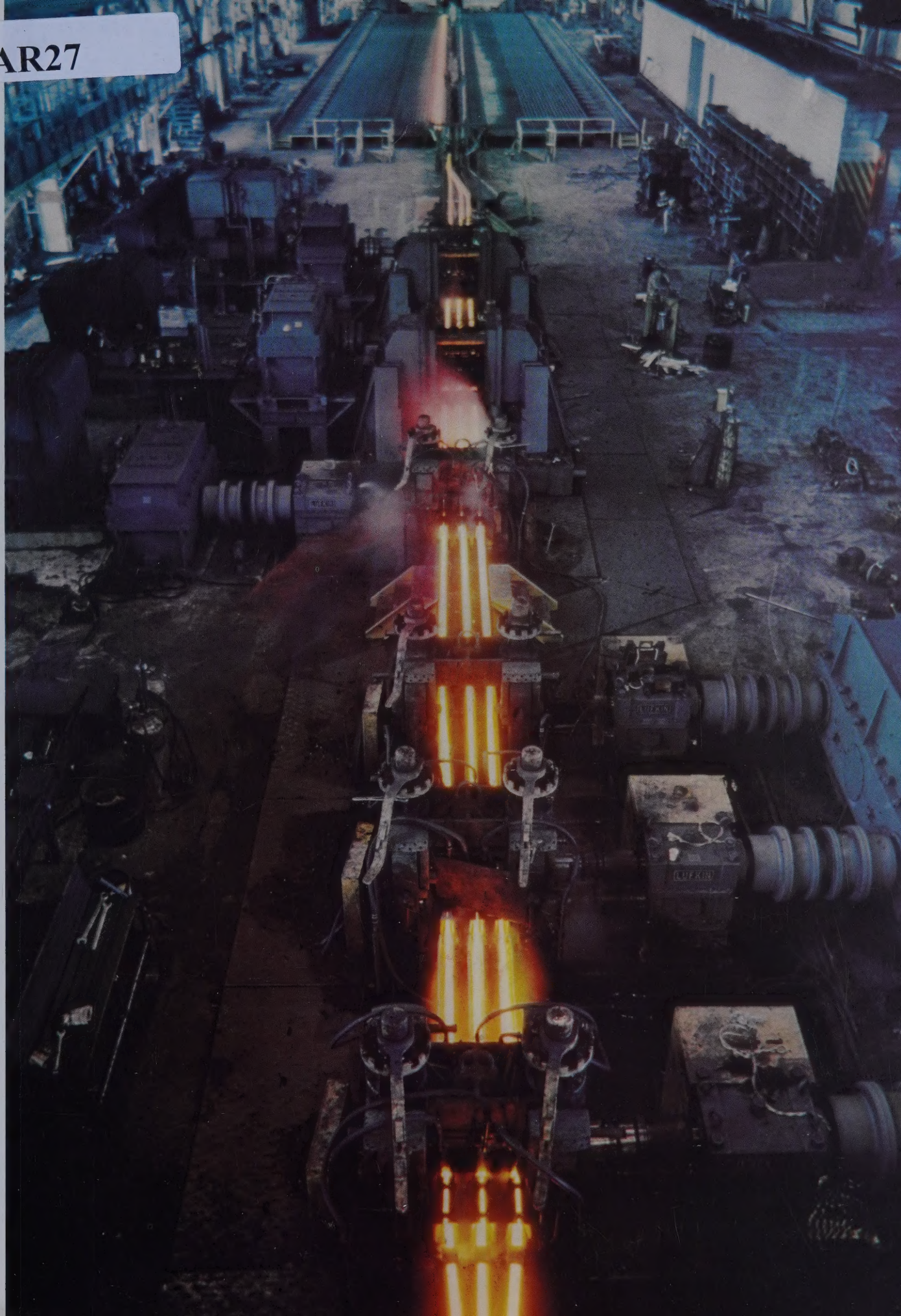


AR27

PORTER

H. K. PORTER COMPANY, INC.





1970 ANNUAL REPORT

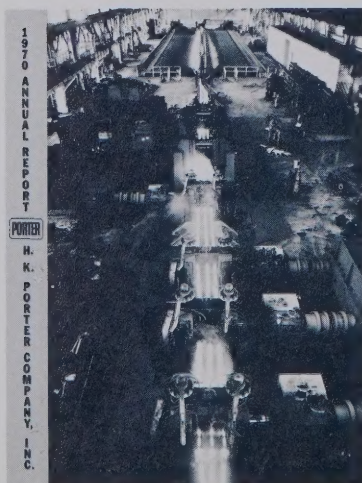
TABLE OF CONTENTS

	Page
Letter to Stockholders	1, 2, 3
Ten Year Financial Summary	4
Statement of Consolidated Income	5
Consolidated Balance Sheet	6, 7
Statement of Consolidated Surplus	8
Statement of Source and Use of Cash	9

OPERATIONS REPORT:

Domestic Divisions

Connors Steel Division	10
Refractories Division	11
Disston Division	12, 13
Electrical Division	14, 15
Thermoid Division	16, 17
Fabricated Metals Division	18
Domestic Subsidiaries	19
International Subsidiaries	19, 20, 21



Front Cover:

New 14 inch in-line rolling mill at the Connors Works, Birmingham, Alabama permits a larger range of sizes and provides special sections production capability. In background is a completely automated walking beam cooling bed.

DIRECTORS

CHARLES B. BATON
B. CAMPBELL BLAKE
JAMES A. DRAIN
THOMAS M. EVANS
THOMAS M. EVANS, JR.
FRED C. FOY
ROY A. HUNT, JR.
GEORGE D. LOCKHART
J. STUART MORROW
CHARLES W. VEATCH

CORPORATE OFFICERS

THOMAS M. EVANS
Chairman
J. STUART MORROW
President
R. W. DAVISON
Executive Vice President
J. N. YORKE
Vice President-Finance
J. S. BANAS
Vice President
W. E. HAINES
Vice President
H. T. MONTGOMERY
Vice President
J. W. PUTH
Vice President
C. P. STEWART, JR.
Vice President
P. R. OBERT
Secretary and General Counsel
J. M. DIXON
Controller
W. H. HARTZELL
Treasurer
C. E. WEISS
Assistant Treasurer

SUBSIDIARY MANAGERS

DOMESTIC

P. E. HOLMES
Pacific Asbestos Corporation
R. E. TROCIN
Banks Miller Supply Company

INTERNATIONAL

C. BEGNOZZI
Brasil
W. H. HOHN
Canada
H. A. MAYOH
Australia
J. L. OLIVARES
Mexico
P. K. STUDNER
Europe

STOCK TRANSFER AGENT

First National City Bank,
New York, New York

STOCK REGISTRAR

Morgan Guaranty Trust Company of
New York, New York

AUDITORS

Arthur Andersen & Co.
Pittsburgh, Pennsylvania

March 19, 1971

*To the Stockholders of
H. K. Porter Company, Inc.:*

In 1970, the management of your Company took drastic steps to reduce corporate debt, to increase liquidity, and to reverse the downward trend in earnings experienced since 1966.

With increased interest costs and the fact that the Company had available income tax carry-back credit, it was felt that the year 1970 was a good time to eliminate marginal or unprofitable operations. The Company sold plants having a book value of \$9,281,321 for \$5,343,607 and has filed for a total cash income tax carryback of \$2,269,760.

During 1970, the following plants were sold: Ambridge Conduit and Underfloor Duct Works at Ambridge, Pa.; Russell Belting Works at Middletown, Conn.; Nephi Belting and Hose Works at Nephi, Utah; Clarion Refractories Works at St. Charles, Pa.; Trenton Belting Works at Trenton, N. J.; Brown Rubber Works at Lafayette, Ind.; and Thermoid Friction Works at Mexico, D.F., Mexico.

In addition, certain operations were closed during the year and the machinery disposed of. These included Riverside Metals Works at Riverside, N. J.; Master Fan Works at Los Angeles, Calif.; Fluid-Tite Coupling Works at Roselle, N. J.; Davidson Asbestos Works at Davidson, N.C.; St. Louis Asbestos Works at St. Louis, Mo.; and King Aircraft Fittings Works at Hillington, Scotland.

As a result of these changes, stockholders' equity per common share dropped from \$52.94 at December 31, 1969 to \$49.83 at December 31, 1970.

SALES AND EARNINGS

Net sales in 1970 were \$278,914,530 compared to \$289,838,712 in 1969. Net income from operations for the year amounted to \$1,844,662 compared to \$3,899,579 in 1969. Extraordinary charges net of taxes in 1970 were \$3,755,926 compared to an extraordinary credit in 1969 of \$213,652. After extraordinary items, the Company in 1970 had a loss of \$1,911,264 compared with a profit in 1969 of \$4,113,231.

The loss in 1970 equalled \$2.10 per Common share, after provision for dividends on Preference Stock, compared with a profit of \$2.46 in 1969.

ACQUISITIONS

In May 1970, the Company's wholly-owned subsidiary, Banks-Miller Supply Company, operating in West Virginia, bought all of the stock of Buchanan Wholesale Company, a small, but profitable, mine-supply house in the adjoining state of Virginia.

PLANT IMPROVEMENTS

Capital expenditures for plant and equipment totaled \$11,051,000 during 1970, exceeding depreciation by \$5,003,408 for the year ended.

Nearly half of these expenditures went for a new rolling mill at Connors Works, Birmingham, Alabama, which was completed in the fall of 1970. The mill revision included removal of a nine inch bar mill and its replacement with a modern 14 inch in-line rolling operation. Connors new mill and supporting facilities feature some of the most modern equipment available, including a completely automated double-sided walking beam cooling bed, shearing and straightening equipment and a computer type numerically controlled roll turning lathe.

The new mill provides Connors with lower operating costs and adds to the capability of rolling special shapes and sizes beyond the capacity of the old mill. The new mill is shown on this report's front cover.

Other major capital expenditures for 1970 are described below.

Connors West Virginia Works installed a dust collection system for the electric furnace department that eliminates all smoke, fumes, and ash.

The Disston Division completed a 40,000 square foot addition to its Danville Works. The added facility provides space for improved production operations and storage.

The Electrical Division completed its plant expansion for the production of fans and blowers at its Warren Works.

The Belmont Works completed the expansion of its testing facilities for large transformers.

The Fabricated Metals Division completed a 10,000 square foot addition to its Alloy Works, increasing capacity for fine wire drawing.

Thermoid Division completed assimilation of the St. Louis and Davidson Works into an expanded Bennettsville Works.

During 1970, Porter Canada completed a plant expansion at its Woodstock Works for the production of distribution and power transformers to 10,000 kVA.

Highlights of Division operations are provided in the Operations Section, beginning on page 10.

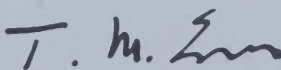
FINANCIAL NOTES

The Company's pension plans for hourly and salaried employees are accounted for and funded under the entry age normal and attained age normal methods. Pension provisions for 1970 amounted to \$1,856,818 including amortization of prior service costs over a 40-year period. The value of vested benefits exceeds the total of the pension fund and accruals by approximately \$7,600,000, as of the date of valuation.

During the year, in addition to dividends on Preference Stock, the Company paid four quarterly dividends of \$.25 per share to the holders of Common Stock.

Cordially yours,


President


Chairman

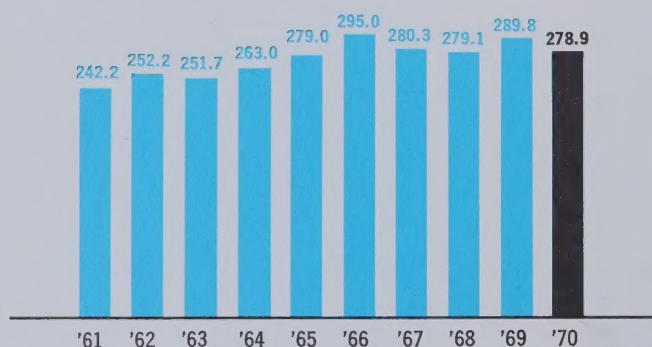
Ten Year Consolidated Financial Summary

	Net Sales	Earnings Before Taxes	Earnings After Taxes	Working Capital	Charges for Depreciation and Amortization	Common Stockholders			
						Equity		Earnings Per Share*	Cash Flow Per Share*
						Total	Per Share*		
1961	\$242,157,668	\$ 5,998,039	\$3,458,311	\$58,632,347	\$7,964,130	\$55,061,457	\$41.66	\$1.67	\$7.70
1962	252,179,013	8,081,021	4,169,876	60,637,259	8,019,663	56,320,073	42.61	2.25	8.32
1963	251,687,132	7,887,498	4,014,498	59,034,679	7,674,758	56,352,722	42.63	2.21	8.02
1964	263,045,895	9,274,434	5,134,434	52,652,597	7,704,340	58,779,026	44.47	3.19	9.02
1965	278,990,242	10,701,308	5,713,308	55,080,148	8,043,894	61,804,687	46.76	3.65	9.74
1966	294,985,335	13,929,090	7,440,090	61,278,812	7,683,682	66,587,079	50.38	5.01	10.82
1967	280,310,952	7,702,325	4,274,325	53,772,790	8,219,894	67,851,601	51.33	2.57	8.79
1968	279,121,958	6,948,537	3,830,210	56,570,300	8,606,362	68,716,865	51.99	2.24	8.75
1969	289,838,712	8,013,293	4,113,231	51,992,822	6,346,458	69,822,384	52.94	2.46	8.18
1970	278,914,530	(2,784,982)	(1,911,264)	47,850,825	6,047,592	65,725,690	49.83	(2.10)	2.49

*Adjusted for stock dividends and splits

NET SALES

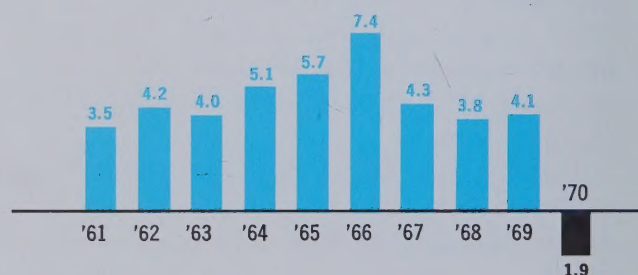
(MILLIONS)



NET EARNINGS

(after taxes)

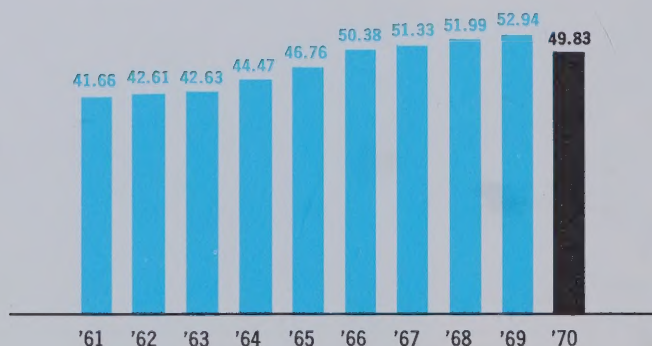
(MILLIONS)



COMMON STOCKHOLDERS EQUITY

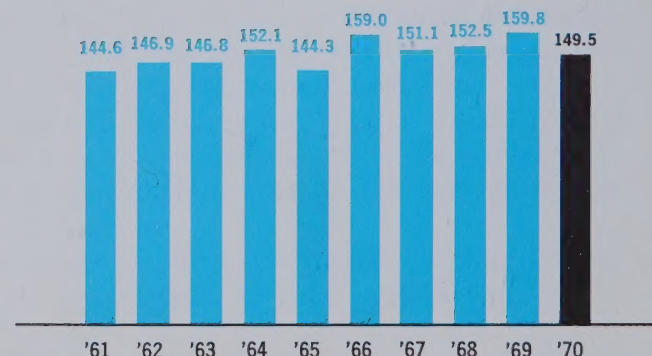
per share (adjusted for stock dividends and splits)

(DOLLARS)



TOTAL ASSETS

(MILLIONS)





STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

	1970	1969
Net Sales	\$278,914,530	\$289,838,712
Cost of Sales (exclusive of depreciation and amortization)	239,080,596	245,515,323
	<u>\$ 39,833,934</u>	<u>\$ 44,323,389</u>
Selling, General and Administrative Expenses	\$ 28,589,191	\$ 27,941,386
Depreciation and Amortization (straight-line method)	6,047,592	6,346,458
Interest on Borrowings	2,380,757	2,168,889
Other (Income) net	(624,108)	(227,985)
	<u>\$ 36,393,432</u>	<u>\$ 36,228,748</u>
Income Before Provision for Taxes and Extraordinary Items	\$ 3,440,502	\$ 8,094,641
Provision for Taxes on Income:		
Current	995,840	2,995,062
Deferred	600,000	1,200,000
Net income before extraordinary items	<u>\$ 1,844,662</u>	<u>\$ 3,899,579</u>
Extraordinary Items , net of income tax credit of \$2,470,000 in 1970 and net of income tax in 1969	(3,755,926)	213,652
Net income (loss)	<u><u>\$ (1,911,264)</u></u>	<u><u>\$ 4,113,231</u></u>
Net Income (loss) per Share of Common Stock:		
Net income before extraordinary items	\$.75	\$2.30
Extraordinary items, net of income tax credit	(2.85)	.16
Net income (loss)	<u><u>\$(2.10)</u></u>	<u><u>\$2.46</u></u>

ASSETS

Current Assets:

	1970	1969
Cash	\$ 6,017,078	\$ 4,478,813
Marketable securities, at cost (quoted market \$1,459,009 in 1970 and \$1,590,188 in 1969)	2,295,101	2,295,101
Federal income tax refund	2,269,760	—
Receivables, less reserve of \$914,498 in 1970 and \$930,579 in 1969	38,217,609	37,808,184
Inventories, at lower of cost or market:		
Raw materials and supplies	\$ 15,283,518	\$ 18,811,699
Work in process	14,188,960	17,784,137
Finished goods	19,904,438	21,027,487
	\$ 49,376,916	\$ 57,623,323
Less reserve for LIFO replacement on certain inventories	6,399,095	7,212,721
Total inventories (including \$29,952,148 on LIFO basis in 1970 and \$35,802,220 in 1969) . . .	\$ 42,977,821	\$ 50,410,602
Prepaid insurance and other	1,333,774	1,322,376
Total current assets	\$ 93,111,143	\$ 96,315,076
Other Assets	\$ 1,388,694	\$ 1,284,674

Property, Plant and Equipment, at cost, less depletion, depreciation and amortization:

Land	\$ 4,812,996	\$ 5,322,796
Buildings	35,690,182	40,501,392
Machinery and equipment	103,258,089	128,136,944
	\$143,761,267	\$173,961,132
Less accumulated depreciation and amortization	88,720,654	111,719,254
Net property, plant and equipment	\$ 55,040,613	\$ 62,241,878
	\$149,540,450	\$159,841,628

BALANCE SHEET

1970 AND 1969

LIABILITIES

Current Liabilities:

1970

1969

Short-term loans and current portion of long-term debt . .	\$ 7,117,891	\$ 6,337,394
Accounts payable	17,910,659	17,107,706
Accrued payrolls, taxes and other liabilities	13,587,104	13,052,978
Income taxes (principally relating to prior years' contingencies)	6,644,664	7,824,176
Total current liabilities	<u>\$ 45,260,318</u>	<u>\$ 44,322,254</u>
Long-Term Debt, less current portion:		
5½% promissory notes, payable April 1, 1976; annual prepayment of \$2,000,000 through 1975	\$ 15,000,000	\$ 17,000,000
5¼% to prime plus ¼% bank notes, payable 1973	3,571,428	8,857,143
Miscellaneous subsidiary term debt	2,079,586	1,379,877
	<u>\$ 20,651,014</u>	<u>\$ 27,237,020</u>
Deferred Income Taxes	\$ 1,800,000	\$ 1,200,000
Other Deferred Credits	\$ 357,428	\$ 1,497,170
Stockholders' Equity:		
5½% cumulative sinking fund preference stock— par value \$100 per share—subject to annual sinking fund requirements—authorized 198,996 shares; issued 168,797 shares, less 11,337 treasury shares in 1970	\$ 15,746,000	\$ 15,762,800
Common stock—par value \$5 per share— authorized 3,000,000 shares, issued 1,322,587 shares, less 3,624 treasury shares	\$ 6,594,815	\$ 6,594,815
Capital surplus	2,068,319	2,253,495
Earned surplus (\$1,959,000 for common stock or \$4,959,000 for preference stock not restricted in 1970 as to cash dividends under loan agreements) . . .	57,062,556	60,974,074
Total common stockholders' equity	<u>\$ 65,725,690</u>	<u>\$ 69,822,384</u>
Total stockholders' equity	<u>\$ 81,471,690</u>	<u>\$ 85,585,184</u>
	<u>\$149,540,450</u>	<u>\$159,841,628</u>

STATEMENT OF CONSOLIDATED SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

Capital Surplus:

	1970	1969
Balance beginning of year	\$ 2,253,495	\$ 2,505,044
Deduct—		
Transfer to earned surplus of portion of excess of book values of net assets of acquired companies over investments therein deemed to be realized through sales, retirements or depreciation	184,619	241,118
Other	557	10,431
Balance end of year	<u>\$ 2,068,319</u>	<u>\$ 2,253,495</u>

Earned Surplus:

Balance beginning of year	\$60,974,074	\$59,602,906
Add—		
Net (loss) income	(1,911,264)	4,113,231
Transfer from capital surplus, as explained above	184,619	241,118
	<u>\$59,247,429</u>	<u>\$63,957,255</u>
Deduct—		
Dividends on:		
5½% Preference stock	\$ 866,488	\$ 869,951
Common stock—\$1.00 per share in 1970 and \$1.60 per share in 1969	1,318,385	2,113,230
	<u>\$ 2,184,873</u>	<u>\$ 2,983,181</u>
Balance end of year (\$1,959,000 for common stock or \$4,959,000 for preference stock not restricted in 1970 as to cash dividends under loan agreements)	<u>\$57,062,556</u>	<u>\$60,974,074</u>



STATEMENT OF SOURCE AND USE OF CASH

FOR THE YEARS ENDED DECEMBER 31, 1970 AND 1969

SOURCE OF CASH

	1970	1969
Balance, January 1	\$ 4,478,813	\$ 8,390,612
Additions to cash during the year:		
Net income (loss)	(1,911,264)	4,113,231
Depreciation and amortization	6,047,592	6,346,458
Deferred income taxes	600,000	1,200,000
Amortization of excess of book value of subsidiaries acquired over cost	(968,711)	(827,967)
Disposals of property, plant and equipment	12,364,446	2,113,516
Decrease (increase) in inventories	7,870,489	(2,279,680)
Increase in notes and accounts payable and accruals . .	414,593	8,543,480
Total additions to cash	\$24,417,145	\$19,209,038

USE OF CASH

Disposition of cash during the year:		
Additions to property, plant and equipment	\$11,051,000	\$ 9,350,000
Purchase price of companies acquired for cash	544,456	1,277,211
Dividends paid	2,184,873	2,983,181
Reduction of long-term debt, net	6,586,006	3,905,284
Purchase of marketable securities	—	1,494,209
Increase in receivables	2,228,595	3,642,281
Other — net	283,950	468,671
Total disposition of cash	\$22,878,880	\$23,120,837
Net cash increase (decrease) for the year	\$ 1,538,265	\$(3,911,799)
Balance, December 31	\$ 6,017,078	\$ 4,478,813

Accountants' Report

To the Stockholders and the Board of Directors,
H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. PORTER COMPANY, INC. (a Delaware corporation) and subsidiaries as of December 31, 1970, and the related statements of income, surplus, and source and use of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated balance sheet and related statements of income, surplus, and source and use of cash present fairly the financial position of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1970, and the results of their operations and the source and use of cash for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania,
January 22, 1971.



OPERATIONS REPORT

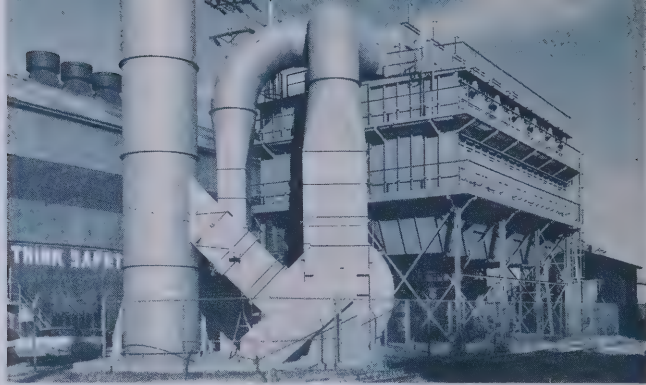
DOMESTIC DIVISIONS

CONNORS STEEL DIVISION

Hot rolled merchant bars and bar shapes, bulb tees, cold finished bars, mine roof bolts, reinforcing bars, special sections, light rails, mine ties. Plants at Birmingham, Ala.; New Orleans, La. and Huntington, W. Va.

The past year marked the largest single equipment expansion in the history of Connors Steel Division. This was the installation of a new 14 inch in-line rolling mill and supporting facilities at the Connors Works in Birmingham. New, modern equipment includes a completely automated cooling bed, shearing and straightening equipment, and a computer-type numerically controlled roll turning lathe.

In August, the mill was operating on a break-in basis; by the end of 1970, it had successfully rolled the full range of sizes previously produced on the old mill. New and larger rolled sizes are also being developed. In addition, the new facility provides special sections production capability complementing that of the West Virginia Works.

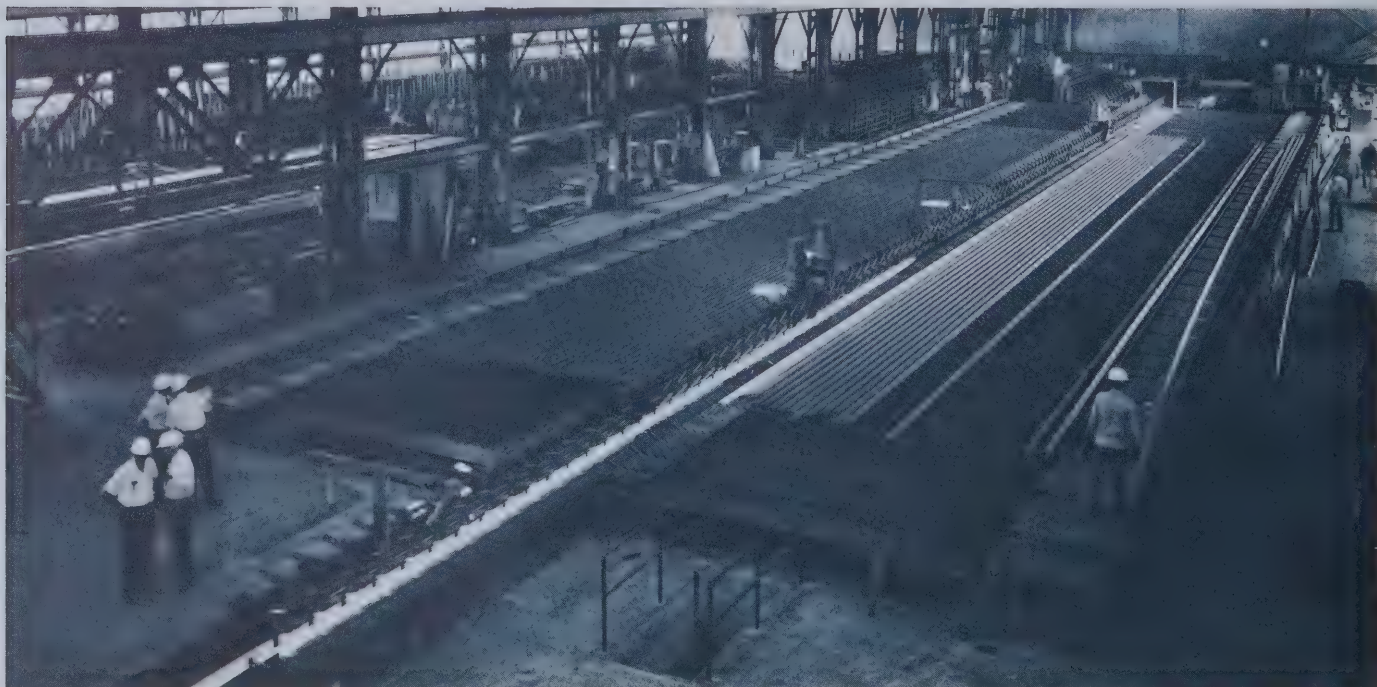


New air pollution control system in operation at West Virginia Works.

The West Virginia Works strengthened its position with existing and new customers as a major supplier of special steel sections for the truck trailer, lift truck, and heavy equipment industries. Combined with the addition of other new sections, the increased business points the way to greater market penetration.

Also at West Virginia Works, an air pollution control system went into operation to provide maximum pick-up efficiency of particulate matter from the air. Designed to exceed Federal requirements, the system has received certification of approval from the West Virginia Air Pollution Control Commission. Engineering studies are currently under way for installation of a similar air control system at the Connors Works in Birmingham.

As a result of decreased customer demand for finished steel, and production interruption during the new mill installation, Connors Steel shipped fewer tons in 1970 than in 1969. The expansion and continued market penetration, however, are reasons for optimism in 1971.



At Connors Works, a new mill includes this completely automated walking beam cooling bed that accommodates bars up to 165 feet long.



At Fulton Works, new heat treating tunnel shrinks plastic bag over pallets of brick, providing benefits for palletizing and outside storage.

REFRACTORIES DIVISION

Basic, mullite, fireclay, high alumina and pouring pit refractories for use in steel, ferrous, non-ferrous, cement and lime, glass and other industries. Also refractories for basic oxygen vessels. Plants at Bessemer, Ala.; Shelton, Conn.; Pascagoula, Miss.; Fulton and Owensville, Mo.; Hammondsville, Irondale, Uhrichsville and Wells-ville, Ohio, and Vanport, Pa.

Shipments were down in 1970 due partly to generally depressed economic conditions, but primarily to lower raw steel production than in 1969. Also, several operations were discontinued.

While manufacture of glass pot accessories and clay specialties was discontinued in March, limited production was resumed at a new location in Owensville, Mo., late in the year.

The Clarion Works, manufacturing sleeves and nozzles, was sold in December because of an inadequate demand and high costs. Where freight rates permit, sleeve orders served from this plant are being transferred to the Fulton Works. At year end, an agreement was reached to sell the seawater magnesia plant at Pascagoula, Miss. The sale was consummated in January. In addition, the brick plant at Pascagoula discontinued the manufacture of direct bond brick and abandoned the kiln producing this material. The plant will, however, continue to manufacture other lines of basic products.

At the Fulton Works, a new heat treating tunnel shrinks plastic bags over pallets of brick, improving palletizing and permitting extended outside storage without detriment to product performance. A new dust collection system being installed at the Mullite operation in Shelton, Conn., will recover raw material fines and, at the same time, significantly improve the plant environment.



Load-haul-dump vehicle at Pleasant Valley Mine, Ohio, loads seven tons of clay and transports it to conveyors in less than a minute.

To meet customer demand for specialized products, a new production line for 50 percent high alumina ladle brick is being installed at the Wells-ville, Ohio plant. An important operational improvement was the development of an inventory system which permits immediate retrieval of inventory information from all locations through a central computer at Pittsburgh headquarters.

Plant improvements now under consideration include new process equipment for the Shelton Works; further modernization for ladle brick production at Wellsville; additional mixing and control equipment at the Vanport operation where refractories for basic oxygen vessels are made; and other in-plant equipment improvements at Fulton.

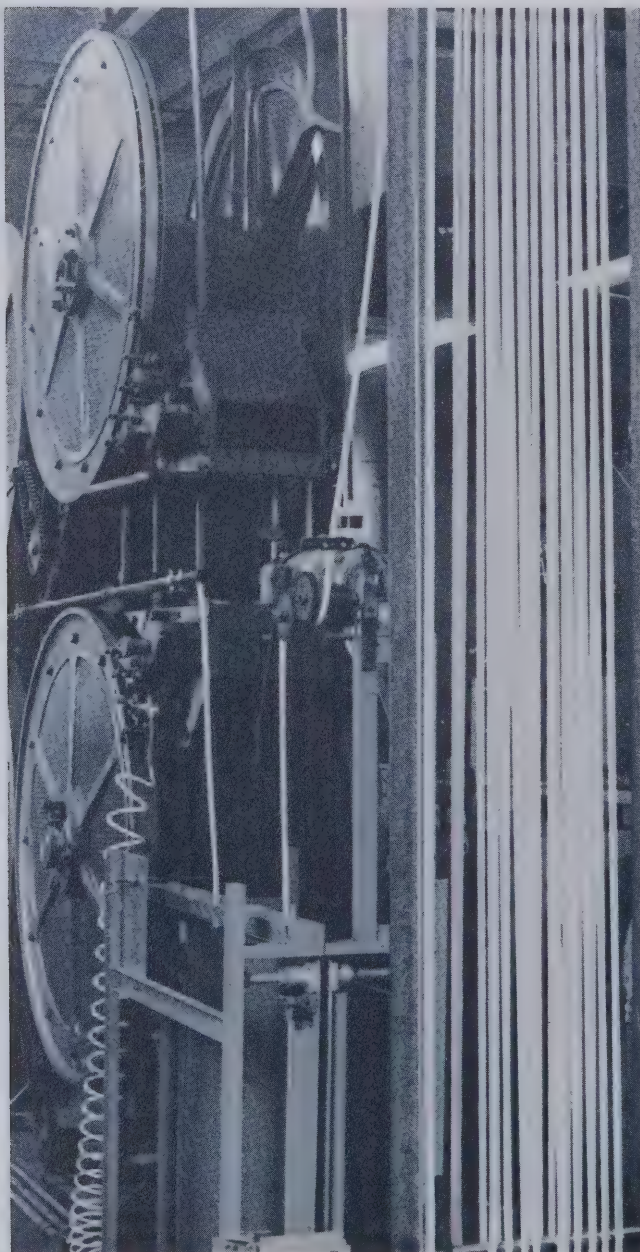
In 1971, research and development will be continued with even greater intensity to keep pace with market requirements for refractories of higher purity and density in major customer industries. Marketing plans for 1971 are being directed toward improved customer service in terms of quality and delivery, sales coverage, and technical services.

DISSTON DIVISION

Saws and cutting tools for lumber and metalworking industries; hand tools, and "Carlson" steel tape rules for artisan and home use; garden tools; cordless electric lawn products; machine knives; machine ways. Plants at Monrovia, Calif.; Philadelphia, Pa.; Danville, Va. and Seattle, Wash.



Typical of Seattle Works products to aid lumber industry efficiency is the "Strob Saw," introduced in 1970. It reduces sawdust build-up and permits a cooler saw operation.



New printer at Carlson Rules Works is capable of printing both sides of tape rules in multiple colors.

The Division again marked a record year in every respect during 1970. Although some market segments were generally depressed, other areas more than took up the slack. In particular, sales went up substantially because of greater penetration of the lumber and pulp industries with industrial knives and saw blades, and wide consumer acceptance of the new, exciting cordless electric grass shears.

Capital expansion programs during 1970, combined with those of 1969, exceeded the total for the previous ten year period.

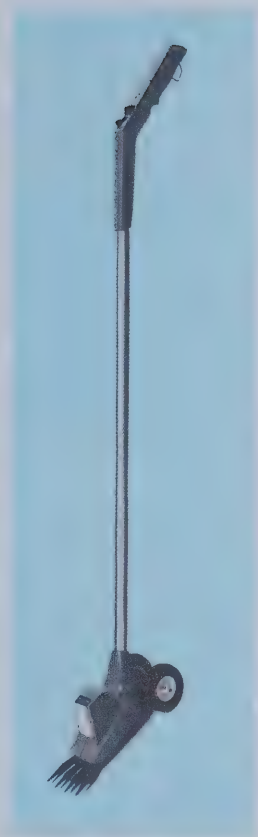
At Danville, construction of a 40,000 square foot addition has permitted arrangement of much greater manufacturing space. New equipment includes a milling machine for metalcutting bandsaws, plastic injection molding equipment, and a tape controlled router for wood handles, the most modern available.

New equipment and facilities were installed, and an extensive renovation in electrical and heating systems completed at the Philadelphia Works. Because of cutbacks in the machine tool industry, the facilities installed late in 1969 for machine ways and shear blades have not yet generated the business projected, but should show progress in 1971.

At the Carlson Rules Works, changes in blades and designs are planned to enhance sales of the tape and rule line. A new printer, utilized with the majority of tapes, provides more accuracy and prints both sides of tape rules in multiple colors.

Among important equipment installed at the Seattle Works was a numerically controlled turning center, utilized mainly with cutterheads. The Works has had a 50 percent sales increase in the past few years, and space is becoming crowded. For that reason, a physical expansion of manufacturing area is under study.

The original Disston Cordless Electric Grass Shear, marketed for the first full year in 1970, exceeded all expectations, and ranked as the most useful lawn product developed in many years. Following up on the leadership established, Disston introduced, late in 1970, an entire family of lightweight, push-button, cordless electric lawn products. Products joining the regular shear are: upright grass shear, with wheels and long handle; heavy duty grass shear, with chrome finish and 50 percent longer operating time; and a lightweight hedge trimmer, with a 14 inch double-edged blade. Each product dramatically reduces trimming time, is self-contained, has rechargeable batteries, recharges overnight, and eliminates battery pack or extension cord. Sales for the cordless electric products are expected to greatly

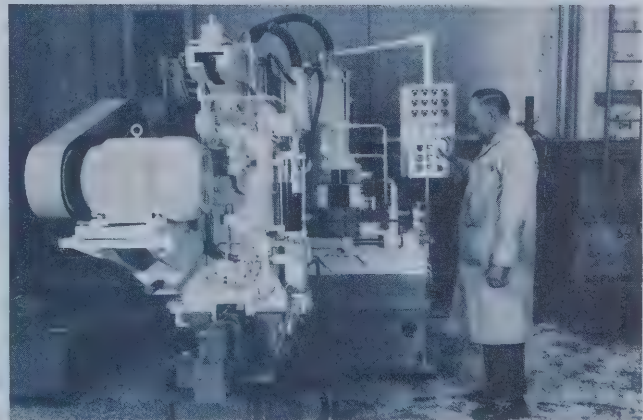


Highly successful Disston cordless electric lawn products save time and energy; eliminate inconvenience of battery pack and extension cords.

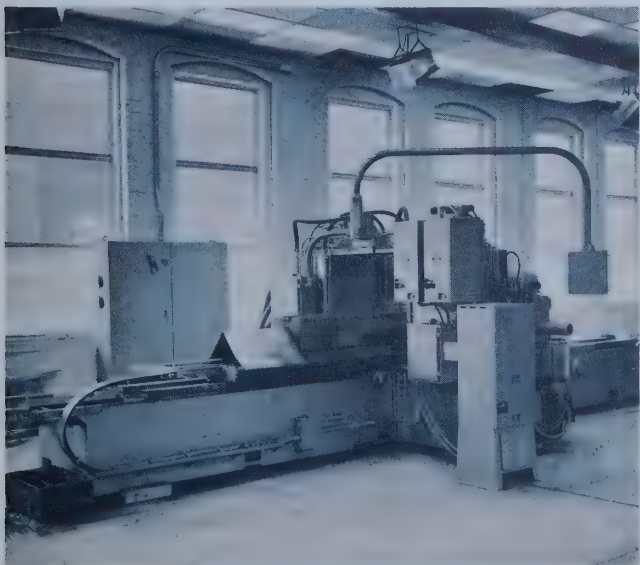
surpass those of 1970.

Other product lines expanded during the year included handsaws, pruning saws, hacksaw frames, cut-off wheels, pelletizing knives, and shear blades. An inexpensive consumer product is the measuring stick, an adhesive-backed tape rule that is simply cut to size and placed in position for ready, permanent use.

The Division is looking forward to another record year during 1971.



Milling machine increases production and efficiency for metal cutting bandsaws at Danville Works.



Most modern available, this milling machine at the Philadelphia Works is utilized in production of machine knives and machine ways.



Handy, easy-to-use Measuring Stick, which is printed on new machine at Carlson Rules Works, has adhesive back for ready, permanent positioning.

ELECTRICAL DIVISION

"Marlo Coil" heat transfer, commercial and industrial air conditioning equipment, "Peerless Electric" standard and special electric motors, industrial and commercial fans and blowers, and ventilating equipment. "Delta-Star" high and low voltage switches, isolated phase and industrial bus, substations, connectors, terminators, cable accessories. "Delta-Star" distribution and power transformers, current collector systems, "Superior" metal trim. Plants at Springdale, Ark.; Belmont, Calif.; Chicago, Ill.; St. Louis, Mo.; Warren, Ohio; and Lynchburg, Va.

General softness in the demand for utility products, a weak price market, and a crippling trucking strike set the framework for a generally difficult year. Poor market conditions for the construction lines from the Ambridge Works forced the decision to sell that facility. Despite those negative aspects, the Electrical Division achieved important goals and also made strides for future growth.

The West Coast transformer plant at Belmont continues to be a leader. During 1970, it completed facilities to permit the manufacture and testing of transformers up to 25,000 kVA at 115,000 volts. Aggressive marketing for those products, coupled with cost reduction for smaller size transformers, are reasons for optimism. The metal trim line for the plastering and lathing industry had a fine year, and shows excellent promise for continued profitability.

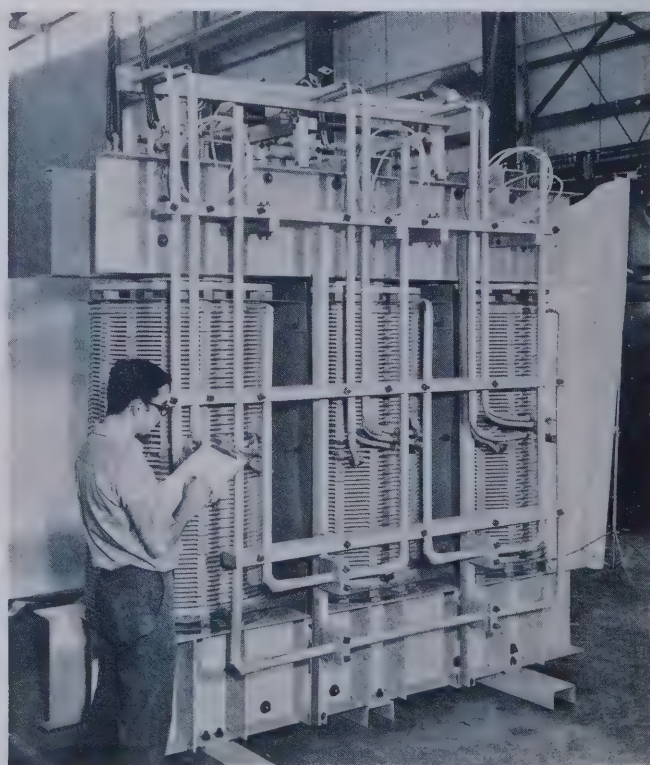
At Lynchburg, the Eastern transformer plant, solid progress was made in the conversion to all aluminum designs for distribution transformers. Porter was the first to introduce the aluminum wound secondary, and is now making aluminum primary windings as well. Cost reductions have been made and work has begun on a plant re-layout to further improve efficiency and production. In order to complete present backlogs and determine lower cost designs for future market entry, new power transformer business was not actively pursued. In the area of crane collector systems, the plant is highly involved with new designs and development work for higher speed mass transit and short run "people moving" systems.

The Chicago Works increased both sales and bookings of "Delta-Star" high voltage products during the year. Isolated phase bus, continuing earlier leadership, was selected for several nuclear generating plants. Design/performance tests up to 40,000 amperes of continuous current marked an industry milestone. In other significant accomplishments, a new vertical reach switch rated at 765,000 volts was shipped; a new aluminum side break group operated switch was introduced; and an entirely new concept in a switch power operating mechanism was fully tested and ready for market by year end.

Only three years old, the Springdale Works attained a good year of sales and profits, and is well on the way to achieving projected growth. In 1970, it completed the orderly transfer of all fabricated steel from the Chicago Works; new methods and efficiencies in the steel plant should help our business with utilities. Late in the year, Springdale introduced an entirely new all-aluminum side break



Largest fan manufactured at Warren Works has a 98 inch diameter wheel. The blower (circled), with a 5 inch diameter wheel, has been inserted to show size comparison.

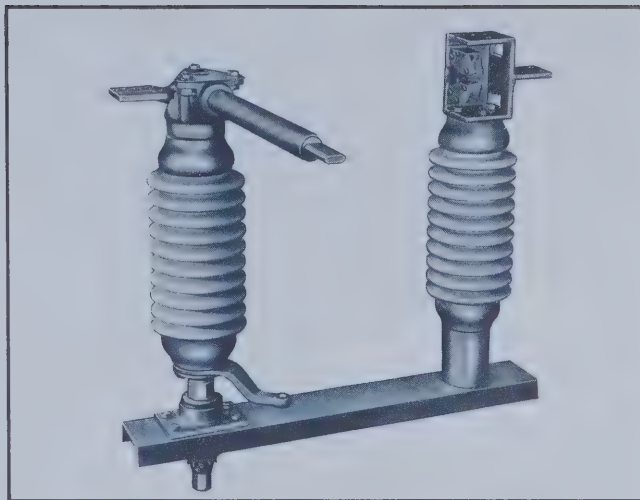


Transformer core and coil assembly of 115,000 volts at Belmont Works.

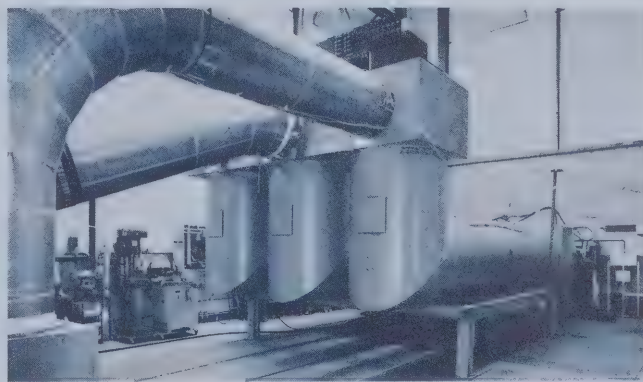
switch, whose design concepts are planned for a new family of aluminum switches. New methods in engineering and plant scheduling have reduced delivery times, permitting new business with more customers.

The Warren Works increased sales and bookings in its two major "Peerless Electric" product lines. Fans and blowers have a good backlog position; the motor business continues good, although economic conditions have temporarily caused a sharp reduction in special types. Motors have been supplied to a manufacturer of all-electric automobiles, and work is progressing on an improved design of a high-speed high torque motor. Success of the automobiles could result in substantial motor business. During the year, the Works occupied a new addition to the fan and blower plant. This space will provide improved plant layout and handling facilities for the new generation of large fans and blowers now being built. Typical were the first 98 inch diameter fans shipped in 1970.

At the Marlo Coil Works, concentration on specialized air handling and conditioning products was planned and achieved. Marlo products have retained dominance of highly special Navy and Maritime requirements, although reduced Government budgets have caused a drop in those areas. Recent large shipbuilding awards, however, present a good outlook for that class of business. In the large commercial and industrial market areas, Marlo has also made progress through skilled design and engineering know-how. Complete air handling package units up to 90 tons capacity have been delivered. Overall plant efficiencies have been accomplished, and a program for newer equipment and techniques is under way.



New all-aluminum "Delta-Star" SR-70A side break disconnect switch.



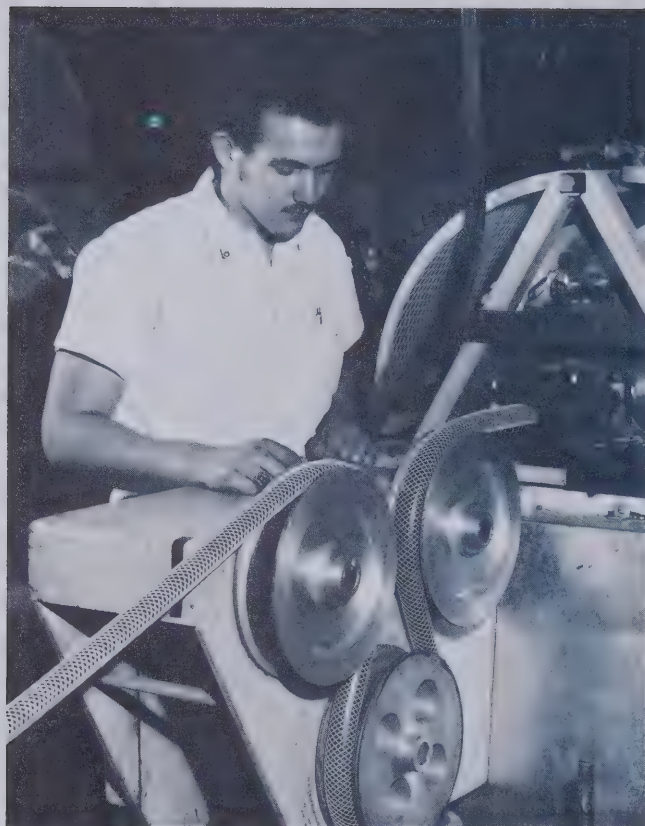
Arrangement for test up to 40,000 amperes continuous current on "Delta-Star" isolated phase bus.



Complete air handling unit of 90 tons capacity leaving Marlo Coil Works.

THERMOID DIVISION

Asbestos textile products including cloth, carded fiber, lap, rope, roving, tape, wick, and yarn; industrial and automotive hose, belting, tape and molded rubber goods; wire-reinforced ducting, and automotive friction products including brake linings and clutch facings. Plants at Huntington, Ind.; Chanute, Kan.; Richmond, Ky.; Charlotte, N. C.; Bellefontaine, Ohio; Philadelphia, Pa. and Bennettsville, S. C.



Spiral reinforcement for hose made at Bellefontaine Works provides superior combination of strength, flexibility, and kink resistance.



Introduced during 1970, the complete line of Thermoid Red Streak disc brake pads meets all state certifications.

The Division concentrated on consolidation, cost reduction, product improvement, and new product development during 1970. Based on predicted increases by customers, and the present Division structure, sales are expected to increase substantially in 1971.

Although the Nephi Works was sold, the sale did not include conveyor, elevator, or transmission belts. Those products were transferred to the Quaker Works, more than doubling conveyor belt production there. Hydraulic hose, another Nephi product, will be made at the Bellefontaine Works by a revolutionary continuous process. With the sale of Russell Works, clutch facing and brake lining products were transferred to the Richmond Works. This move will double the output of Richmond, a modern facility manufacturing friction materials only.

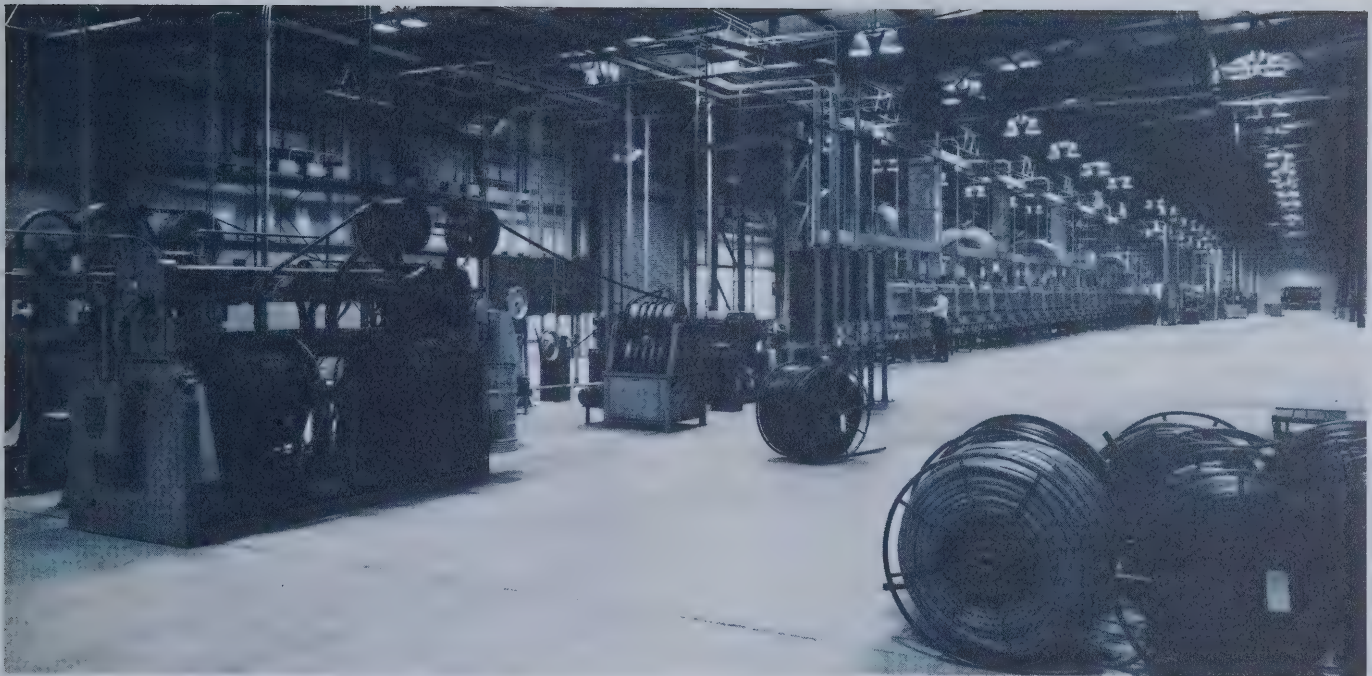
The St. Louis Works and Davidson Works, both small asbestos textile plants, were consolidated into the larger and more modern facilities at the Charlotte and Bennettsville Works. Also sold were Brown Rubber Works and the old Trenton Works, which had been mostly abandoned. These steps are directly aimed at greatly increasing earning power, improving quality and customer service, and making the Division more competitive.

Although new car production dropped off, automotive aftermarket requirements continued to grow. Oil, suction and discharge hose, and stronger non-kink all-purpose industrial hoses made by the patented continuous process have enabled Porter to stay ahead of demands for better, lower cost rubber products.

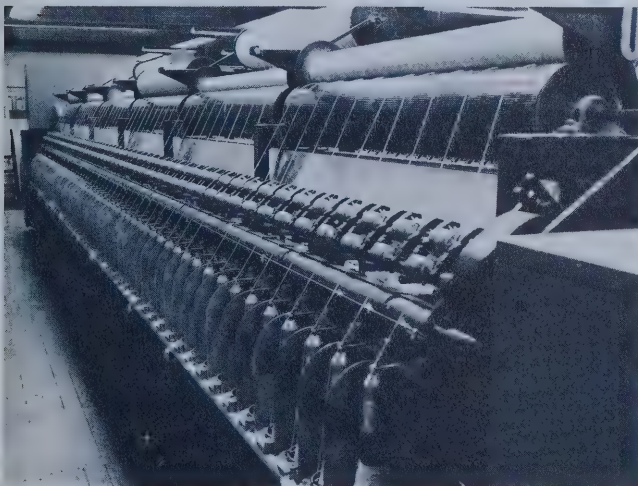
Dust-free Portersite asbestos insulation and rewettable lagging for shipbuilding made major contributions to all-time sales records in the asbestos textile area. More growth is projected for 1971.

The expanded Bennettsville Works will set new standards for asbestos textile products as well as for working conditions in a clean atmosphere, years ahead of Federal and State requirements. The Charlotte Works has installed the first of a series of balloonless spinning frames, the most modern equipment available. It will increase capacity, improve quality, and reduce costs.

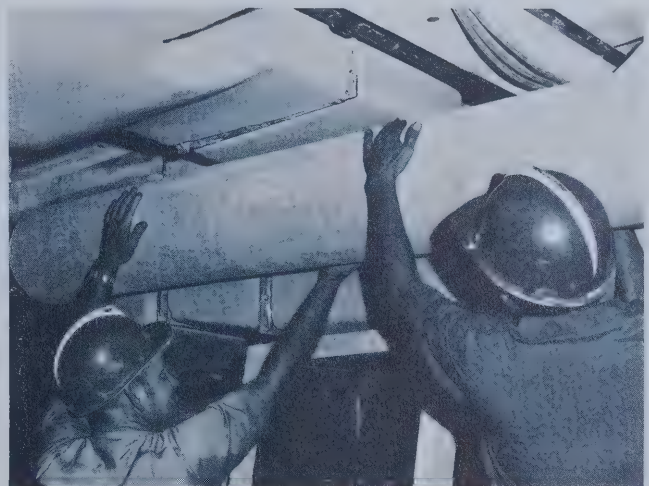
Sales of Bellefontaine Works products almost doubled during 1970. The plant now offers a complete line of automotive, industrial, appliance, and general purpose petroleum hoses. With the patented continuous hose-making process, Thermoid is the only manufacturer guaranteeing 500 feet of hose in not more than two pieces. Hydraulic hose has been produced in 2000 foot lengths by another dramatic



With continuous hose manufacturing process at Bellefontaine Works, Thermoid is the only manufacturer guaranteeing 500 feet in not more than two pieces.



The most modern available, these recently-installed "balloonless" spinning frames at Charlotte Works improve quality and reduce costs.



New custom brattice cloth pipe lagging with built-in water activated adhesive is already in wide use at major shipyards. It speeds installation and eliminates messy clean-ups.

process and, during 1971, a complete line of 100 R1 and 100 R2 hydraulic hose will again be supplied.

At Quaker Works, a new conveyor belt line will include a new press, new tables, take-ups, and slitters to support the 70# and 105# Versaflex and Polyester conveyor belt products. Thermoid escalator handrail production increased during 1970, and additional presses will be installed early in 1971. Porter is the largest manufacturer of handrails in the world.

In keeping pace with mine safety requirements, Thermoid received the first U. S. Bureau of Mines approval on fire hose meeting new critical standards.

The Richmond Works almost doubled sales in 1970, even after a long start-up period, redesign of products, and absorption of the friction operation from Russell Works. Sales are expected to increase

during 1971 primarily because of new brake blocks for all low and high friction applications, clutch facing parts for several domestic compact cars, and expanded automotive aftermarket sales.

At the Chanute Works, a high speed endless machine for automotive, defroster, and emission control ducting is in operation. Also, the new air conditioning ducting line has received UL approval. These major accomplishments provide a broadened market base.

Complete lines of Red Streak disc brakes and segment linings from the Amco Works have had great acceptance in the aftermarket, and that business is expected to more than double in 1971. An expanding line of friction products continues to be offered to appliance, machine tool, and industrial machinery manufacturers.

FABRICATED METALS DIVISION

Functional and decorative cold formed sections; forged steel, stainless steel and aluminum fittings and branch connections; copper-base, stainless steel and nickel base alloys in wire and rod; fine wire specialties in both ferrous and nonferrous metals. Plants at Frankfort and Richmond, Ky.; Roselle, N. J. and Prospect Park, Pa.

Total Division sales were down for 1970 due to the general condition of the economy, and the continuing difficulty of a fluctuating copper market. This had a particularly adverse effect on the performance of the Riverside Works, finally making it necessary to close the operation.

At the Alloy Works, new machinery installed in a recently completed 10,000 square foot addition provides increased capacity for fine wire drawing and expanded shapes.

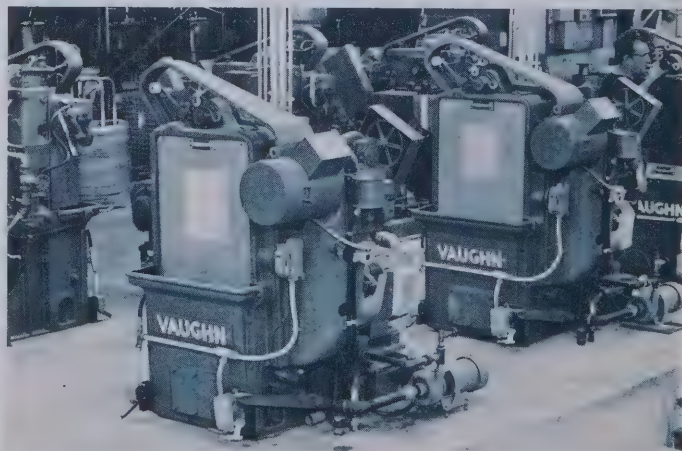
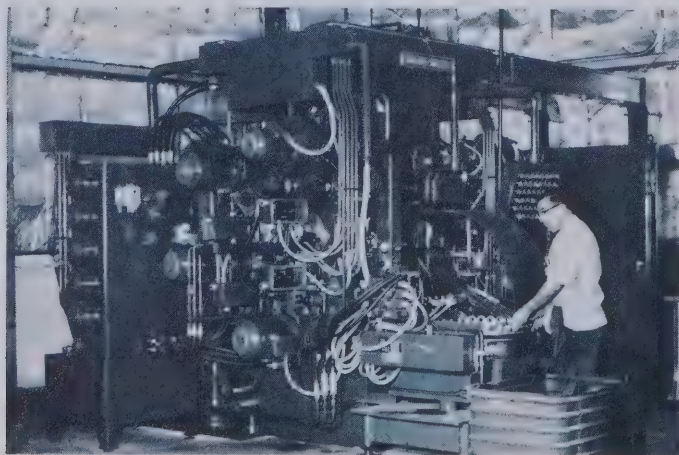
During 1970, an equipment modernization program initiated at W-S Fittings Works included the installation of three new chucking machines. These machines will handle the growing requirements of stainless steel fittings for nuclear power plants. Also, installation of two new union machines permits increased participation in this expanding market.

The Coldform Works produced the first run of wall framing components for the United States Steel Corporation USS ULTIMET curtain wall system. The system has been installed on the new 64-story U. S. Steel Pittsburgh headquarters building, which ranks as one of the world's largest high-rise office buildings. Currently under consideration for use in several building projects, USS ULTIMET is merchandised through U. S. Steel Corporation. Coldform Works, as the exclusive roll-former for the system, anticipates additional business in this area.

In 1971, the Division should show substantial improvement over 1970. Each manufacturing unit now has its own sales force greatly intensifying marketing efforts. From a production standpoint, no major capital investments are needed. The economic condition appears to be brighter, although imports of stainless wire products are having deleterious effects.



New 64-story U. S. Steel Pittsburgh headquarters building features USS ULTIMET curtain wall system, which is roll-formed exclusively by the Coldform Works.



Two new union machines (one shown at left) and three new chucking machines (right) at W-S Fittings Works enable increased production of stainless steel fittings for expanding requirements of nuclear power plants.

DOMESTIC SUBSIDIARIES

Banks-Miller Supply Company

A general supply house serving the metals and chemical industries, coal mines, road and building contractors, and their related manufacturing and fabricating companies. Primary markets in eastern Kentucky, southern Ohio, southwest Virginia, and central and southern West Virginia. Four locations, all in West Virginia.

In 1970, Banks-Miller set records well above any in its 73 year history. The acquisition of Buchanan Wholesale, a mine supply house with two locations near Grundy, Virginia, has proved an excellent investment.

While maintaining identity as a general supply house, Banks-Miller was divided into six product line groups: Automotive, Construction, Industrial, Industrial Rubber, Mine Supply, and Plumbing and Heating. Functioning as specialty houses targeting efforts toward specific fields, each Product Group showed an increase in sales.

Plans for 1971 include modernization of receiving

and shipping facilities, improved service through continued upgrading of delivery equipment, and consolidation of marketing. Sales effort will be concentrated on securing a greater portion of the industrial market, stressing volume to large manufacturing units, and emphasizing coal mine sales.

Pacific Asbestos Corporation

Integrated production of "Mother Lode" asbestos fibres, from mining of chrysotile asbestos through complete processing. Located at Copperopolis, Calif.

Sales volume decreased in 1970 due to an 11 week strike by production employees, and less demand by manufacturers related to the homebuilding industry. For 1971, sales projections indicate high volume at increased net prices, with a greater percentage of sales into the U. S. domestic market.

Improvements in all activities, combined with the installation of new equipment for both mining and milling, should reflect in increased production and lower operating costs.

INTERNATIONAL SUBSIDIARIES

H. K. Porter Australia Pty. Limited

Handsaws, hardware, circular saws and saw milling equipment, automotive friction materials and automotive accessories. Plants at Perth and St. Marys, Australia.

In 1970, sales records were set again by all divisions—Disston, Thermoid, and Osborne, the producer of automotive accessories.

The three leading automotive manufacturers in Australia now use Thermoid clutch facings as original equipment, and sales are expected to increase as other manufacturers utilize more local products in imported automobiles. Disston exports to highly competitive Far Eastern nations were maintained.

The line of ornamental wheel covers broadened in designs offered, although sales went mostly to original equipment manufacturers. With demand for the wheel covers projected to continue growing, expansion possibilities are under consideration. Two additional presses were recently installed, and a nickel plating plant is planned for 1971.

Brakemasters, the subsidiary for marketing brake linings, also realized record sales. It established two more sales and service outlets, and plans others for 1971.

H. K. Porter do Brasil (Alcace) S.A.

Electrical equipment for industrial and utility use, including lightning arresters, fuse cutouts, switches, terminators, electric motors, connectors and motor starters; industrial and automotive friction materials. Plants at Maua, Recife, and Sao Paulo, Brasil.

Heavy electrical equipment, the major product line, suffered a sales decrease in 1970. At the same time, sales increased for low voltage electrical products and friction materials.

Significant developments during the year included initial production of: bus support insulators, needed in widespread national projects; station post insulators, for components in Porter-Brasil switches, and also for sale to other manufacturers; disc brake pads, which are gaining in usage; electric motors in the 10 to 20 horsepower range, aimed at medium-sized users; and automatic motor starters, to complement the existing line of hand operated starters.

To further capitalize on the range of products introduced, it is planned to expand the lines of automatic motor starters and disc brake pads during 1971. Also planned are higher voltage switchgear, electric motors to 50 horsepower, and new distribution lightning arresters.

Based on experience gained in Bolivia and Paraguay, expanded marketing opportunity to the South American market is a strong possibility.

H. K. Porter Company (Canada) Limited

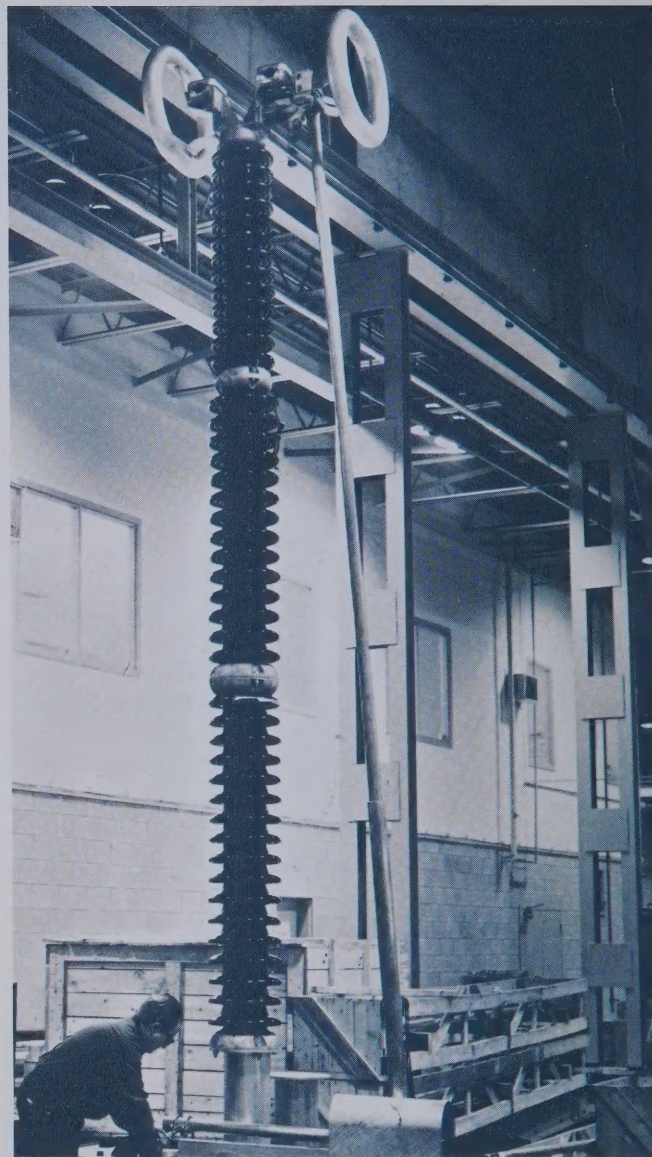
Metal and wood cutting saws and blades, machine knives, trowels, refractories, transformers and relays, electrical underfloor duct and surface raceway systems, floor boxes, fittings, disconnect switches, current collector systems, vinyl electrical tape. Plants in Vancouver, British Columbia; Acton, Galt and Woodstock, Ontario; St. Romuald, Quebec.

The first full year of operation at the newly expanded Electrical Division plant, Woodstock, saw a substantial increase in total sales.

During the last quarter, the first 735,000 volt disconnect switches for Hydro Quebec and the Churchill Falls Labrador power development were shipped. These are among the largest in the world. Also shipped late in the year was a 5,000 kVA, 44 kV transformer, the largest unit manufactured at the plant so far. A new tape programmed semi-automatic foil winding machine was installed to improve quality and increase production of distribution transformer coils.

Extensive strikes in the lumber industry, coupled with a general softening of the economy, prevented 1970 sales from exceeding 1969 levels in the Disston Division. During the year, however, the Division instituted a strong distributor program aimed at broadening industrial saw market coverage.

Specialized grinding equipment installed at the St. Romuald plant aids efficiency and production of carbide tipped circular saw blades. At Galt, rearrangement of equipment to a straight line manufacturing flow also considerably improves efficiency. Major product lines at that plant are metal band saws, hack saw blades, and jig saw blades. Stronger knife and circular saw manufacturing capability has resulted from consolidation of production at Acton.



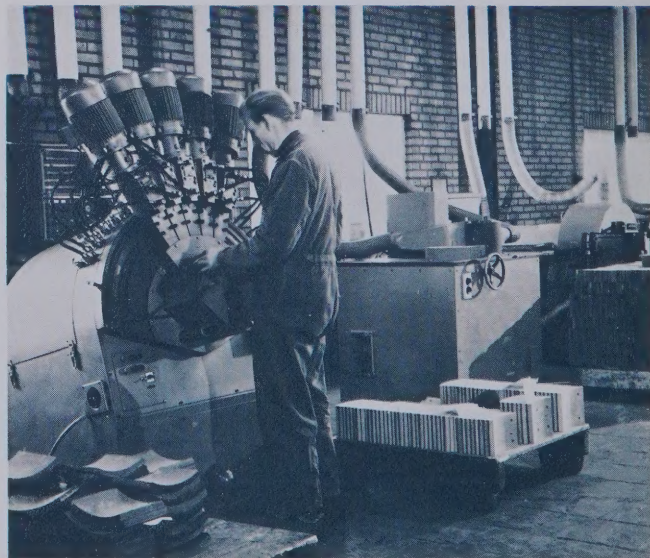
A 735 kV ground switch, among the largest in the world, undergoes final adjustments.

PORTER EUROPE

France

Railroad freight and tank cars, vehicle components, carbon and alloy steel castings for heavy industry, fabricated equipment for the petrochemical and steel industries, hydraulic components including pumps, control valves, cylinders, pressure controls, steering controls, and ducting for air-conditioning, industrial, and aircraft applications. Plants at Haillicourt and Marpent, France.

At Marpent, sales improved substantially in all products, and the Division has become a leader in the production of freight cars and high quality steel castings. The new Thermoid Division exceeded forecasts in air conditioning ducting sales; further increases are expected during 1971. A new sand processing plant was added to the foundry at Marpent in 1970. In addition, improvements were



Modern production facilities for the manufacture of Thermoid brake blocks at Klazienaveen, Netherlands.

made in the facilities for fabrication of bogies used in railroad wagons.

In 1970, the Hydraulics Division concluded an agreement with Galdabini of Italy for distribution of variable flow pumps. Additional agreements, anticipated during 1971, will enable greater penetration of French and export markets, and also help to round out present lines and services. In other accomplishments, the engineering-quoting facilities have been consolidated, and 1971 will see marketing of a new DM 383 control valve.

Netherlands

Industrial and automotive friction products including brake blocks, brake linings, and clutch facings. Plant: Klazienaveen, Netherlands.

Sales continued to progress, and the demand for high quality Thermoid friction products has never been greater. To further augment sales and service, new production and test facilities are being installed, and an application development laboratory is planned. The integration of the Friction Division at Newcastle into that of Netherlands has assured complete original equipment and aftermarket coverage from the United Kingdom and continent.

United Kingdom

Synthetic and natural rubber products including a wide range of hoses, moldings, sheeting, extrusions, gaskets, conveyor belting and ducting for air-conditioning, aircraft, and industrial applications. Friction materials including brake linings, blocks, and clutch facings for automotive and industrial applications. Plants at Newcastle-upon-Tyne, England; and Stirling, Scotland.

The Industrial Rubber Division saw an increase in sales. Despite an over-all depressed market in the United Kingdom, prospects for rubber hose, sheeting, and mechanicals showed improvement. Installation of new plant equipment was started, and further capital investments are expected during 1971.

Friction materials gained growing acceptance in the original equipment market, continuing the trend to increased sales. A new research and development laboratory, to be installed at Newcastle, will benefit both of the European Friction Materials Works.

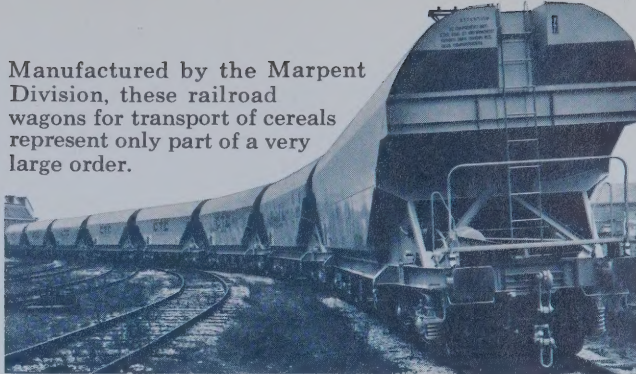
In view of the difficulties in the aircraft industry, the King Aircraft Division was sold at the close of 1970.

H. K. Porter Company de Mexico S.A.

Handsaws and trowels. Plant: Mexico, D.F.

In November, 1970, the Thermoid operations for manufacture of automotive brake linings and clutch facings were sold. Porter-Mexico now manufactures

Manufactured by the Marpent Division, these railroad wagons for transport of cereals represent only part of a very large order.



Patented Thermoid oil tanker hose manufactured at the Stirling rubber plant.



Thermoid clutch facings from Netherlands and England friction operations go into a variety of original equipment such as this autobus.

only a Disston line consisting of four types of hand-saws and two types of plastering trowels. It is planned to expand the line with wood handle scrapers, steel tape rules, and files.

During 1970, sales of Disston products increased moderately over the previous year, while sales of imported products from the domestic Disston and Refractories Divisions went up considerably.



The world's leading manufacturer of cordless electric garden tools, Porter offers an entire family of Disston pushbutton products to make trimming a breeze. Front to back; upright grass shear, regular grass shear, heavy duty grass shear, hedge trimmer.

PORTER

**H. K. PORTER COMPANY, INC.
PITTSBURGH, PENNSYLVANIA**